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#### **SB 328**

# Montana-produced foods to state institutions: **optional** procurement exception

#### What does SB328 do?

SB 328 gives new flexibility to Montana's public institutions, such as schools and universities, to buy Montana-produced food products. It exempts Montana-produced food from the Montana-procurement act. Use of this exemption is completely optional for public institutions.\*

#### Who will benefit?

- Montana's public institutions will have increased opportunities to procure high-quality, Montana-produced food.
- Eaters at public institutional food services will have increased opportunities to support Montana's food and farm economy.
- Montana's farmers, ranchers, and food processors can better move into Montana's \$32 million public institutional food service market.

#### Why do we need SB 328?

Current state procurement laws require Montana institutions to buy the cheapest product without regard for where the product originated. This requirement restricts food service managers' ability to purchase Montana-produced food if it costs even a penny more than the national competition. SB 328 will allow institutions who want to purchase Montana-produced food to do so.

#### Which institutions can participate?

Because this is an optional exemption, any public institution (hospitals, prisons, universities, K-12 schools) can choose to participate unless they are using federal dollars for the purchase. Because of a federal restriction and other budget constraints, colleges and universities are most likely to use the opportunity provided by SB 328.

<sup>\*</sup> In SB 328, "Produced" means planted, cultivated, grown, harvested, raised, collected, or manufactured."



#### How much will it cost?

Nothing. SB 328 requires that food purchasers stay within their current budgets. So though an institution may pay more for one Montana-produced food item, SB 328 does **not** allowed them to increase their total budgets.

#### Do other states have similar laws?

Yes. At least thirteen states have laws allowing, encouraging, or mandating institutional purchases of locally-grown food. SB 328 is most similar to laws in Colorado and New York.\*

Are any institutions already buying Montana-produced food?

Yes. Since 2003, The University of Montana has spent \$1 million on local and regionally-produced food through its Farm to College program. Last summer, UM Western-Dillon, Salish Kootenai College, Montana State University-Bozeman, and Missoula County Public Schools launched similar initiatives.

How is SB 328 different from a "procurement preference"?

A procurement preference gives a certain monetary percentage advantage to **resident bidders.** SB 328 refers to the product ("Montana-produced food"), not the residency of the bidder. Further, it provides no monetary percentage preference. It simply removes "Montana-produced food" from the Montana Procurement Act.

#### Who will oppose SB 328?

We have not identified any group whose interests are threatened by SB 328. Even the national food distributors have corporate commitments to offering locally grown food. While the bill's concept is simple, misinterpretation of the fairly complex bill language will be our biggest challenge to overcome.

\*States with similar legislation: Washington, Colorado, Oklahoma, Kentucky, New Mexico, Delaware, Maryland, Connecticut, California, Massachusetts, New York, Pennsylvania, Vermont.



January 26, 2007

To the Senate Agriculture Committee:

My name is Crissie McMullan, and I am the policy researcher for Grow Montana, a coalition of food and agriculture groups working together for a Montana-based food system. Grow Montana asks you to vote yes on SB 328, Montana Food to Institutions. SB 328 can strengthen our food and agricultural economy.

Across the nation, around 400 schools and colleges are buying more locally-grown food through farm to cafeteria programs. Our own UM's Farm to College program has spent around \$1.5 million dollars on local and regional food since the spring of 2003.

As a result of these trends, the Montana Department of Agriculture funded Grow Montana to study our public institutions as a potential market for in-state food producers, and the capacity of Montana's agriculture to tap into this market. I have copies of the full study and executive summary here, and I will now share some of the highlights.

Montana's public institutions spend \$32.7 million on food each year. K-12 schools combined make up over half of that, while UM, MSU, and Department of Corrections spend approximately \$3 million each. A 10 percent increase in Montana-produced food purchased by Montana's institutions would bring almost \$5 million directly into the state's economy. Other researcher's estimate that multiplier effects of between 1.8 and 15 would add an additional \$9 million to \$75 million to our local communities. These opportunities are particularly significant for rural areas in Montana which face severe economic development needs.

Specifically, the state's universities and colleges offer the best opportunities for local growers and food processors because they have more consumer demand for Montanagrown products and a wider variety of venues to serve items that may be more expensive, such as concessions or catering.

K-12 schools are next-best, but they do have extremely tight food budgets. However, growing interest in child nutrition is creating more demand for fresher, Montana-grown food for school meals.

Montana's prisons and state-run hospitals are the most price-sensitive of all institutions, and will be a more difficult market for local producers. There are, however, successful examples of farm-to-prison and farm-to-hospital programs elsewhere in the nation.

Montana's institutional food buyers believe that the meat, produce, dairy, and bakery categories have the greatest potential for Montana growers and processors. Within each of these categories, the food buyers look for processed products, such as washed and chopped lettuce, or hamburger patties.

For more information about Montana-based food systems, visit <u>www.growmontana.ncat.org</u> or contact

Crissie McMullan, policy researcher at (406) 531-5162 Linda Gryczan, lobbyist at (406) 431-3635



Unfortunately, Montana's food processing industry is so small that the US Census Bureau doesn't even track it. This wasn't always the case. Through the 1930's food processing was our number one employer. To enable Montana's farmers and ranchers to meet the institutional market, we need to revitalize food processing.

In this way, selling to public institutions provides an extremely useful stepping stone for food producers seeking to enter the much larger food service and retail sectors. If producers can serve institutions the right types of processed products, than they can serve most any buyer. Outside of institutions, Montanans spend nearly \$3 billion on food each year. If we sourced 30% instead of 15% of that from Montana food producers, an additional \$450 million would stay in Montana, in the pockets of our farmers and ranchers.

In sum, a yes vote today can mean more than just a few colleges serving more Montana burgers. This new law can be a catalyst to rebuild Montana's food and agriculture infrastructure, revitalize rural communities, and keep more of Montanans' dollars in state.

Grow Montana has worked with the Department of Administration to make sure that this bill meets their approval.

Thank you for your time. I will be happy to answer any questions.

Sincerely,

Crissie McMullan

Leslie Kline Good Egg Farm 50537 Moiese Valley Rd Ronan, MT 59864

To Senator Hansen and the members of the Senate Agriculture Committee:

I write to urge you to support SB 328, Montana Food to Institutions.

I run a small farm near Ronan, MT, where I raise laying hens, cows, hay and vegetables. I depend entirely on local markets to sell my eggs, beef and other produce.

I know that my customers value the high quality and freshness of what I produce, and value as well the opportunity to buy their food locally. It only makes sense that Montana institutions such as universities, schools and hospitals be able to do this too. In fact, where is high quality, fresh food needed more than at these places?

As most any farmer knows, it is not easy to make a living farming. On our smaller operations, we can't always compete with the prices of larger producers. But we can compete with quality, variety, freshness and service. By giving institutions more flexibility in their purchasing choices, everybody wins. Institutions can support the local economy, people eating at these places will have high quality local food, and Montana farmers will gain some important market opportunities. Please support this bill.

Thank you for your time and consideration,

Leslie Kline



**Environmental Studies Program** 

Rankin Hall

The University of Montana Missoula, Montana 59812-4320 Phone: (406) 243-6273

Email: evst@mso.umt.edu http://www/umt.edu/evst

January 26, 2007

TO: Senate Agriculture Committee

FROM: Dr. Neva Hassanein, Associate Professor neva.hassanein@umontana.edu

RE: Informational testimony on SB 328

Thank you for the opportunity to submit informational testimony on SB 328, which would make it easier for Montana's public institutions to support our state's farmers and ranchers. I regret that I am not able to attend the hearing in person.

As you may know, the University of Montana's Dining Services created the Farm-to-College Program in 2003. Through Farm-to-College, the UM strives to purchase local and regional foods to serve in its dining halls and catering services. Some of my students and I have been involved in the initiative since the beginning. Most recently, during the spring of 2006, a group of ten graduate students and I conducted a comprehensive study looking at the impact of the program on Montana. I am attaching a summary of the major findings of our research.

As you will see, there is <u>very</u> strong support for this program from the Dining Services staff, the Montana vendors who sell their food products to the University, and the students. Students and staff greatly appreciate the opportunity to support Montana's farmers and ranchers and to keep money circulating in the state. Indeed, the program has poured about \$1 million into the state's economy since its inception.

Our research revealed, however, that the program is about much more than dollars: it serves to forge new connections, knowledge, and understanding. Students, faculty, and staff have learned a great deal about the quality of Montana's food products and the constraints our producers operate under. Many vendors who participate in Farm-to-College report learning more about what it takes to sell into a major institution and how best to meet those needs. In addition, the research documents the considerable energy savings and pollution reduction that occurs when we purchase food from sources that are closer to the point of consumption.

SB 328 would simply remove barriers for those public institutions that want to buy Montana grown or processed foods. It's a simple – but significant – step that will yield not only economic, but also social and environmental benefits for Montanans.

I hope that you find the research findings useful and of interest. Please feel free to contact me if there are questions or if I can be of assistance in any way. Thank you for your consideration of this legislation.

January 26, 2007

Senate Agriculture, Livestock and Irrigation Committee Captital Building Helena, MT 59602

Re: SB 328

Dear Chairman Hanson and Committee members,

I would like to thank Senator Steinbeisser for his introduction of SB 328, a bill that will provide a voluntary exemption of Montana –produced food from state procurement laws. The Mission Mountain Food Enterprise Center is the only food business incubator in the state. Located in Ronan, MT we currently work with producers and entrepreneurs who are developing value added agricultural enterprises or food businesses. Several of these companies are attempting to service the public institutional marketplace. They are often hindered from entering these markets with their products because of the existing state procurement laws. The public institutional marketplace is a great opportunity for our producers and food entrepreneurs to expand their operations and businesses. This bill would level the playing field for our Montana producers and allow them access to this growing market.

I urge you to approve this bill as a committee and send it to the full Senate for their consideration.

Thank you for your consideration.

Jan Tusick

Jan Tusick- Program Manager Ag Enterprise/Cooperative Development Program



The Orchard at Flathead Lake, LLP 23126 Yellow Bay Lane Bigfork, MT 59911 Ph: 406-982-3058

Fax: 419-858-2650 www.FlatheadOrchard.com

Montana State Legislature January 25, 2007

Dear Legislators:

I am writing to ask you to please support SB 328, Montana Food to Institutions.

My husband, Gary, and I both grew up in Montana, in Butte and Bigfork, respectively. After Gary received his Electrical Engineering degree from MSU, we moved to the Midwest. We enjoyed our time there, but knew that when I finished school, we were headed west. The day after I received my Chemical Engineering degree from Cleveland State, we got into our Ryder truck and headed for California. We would have loved to have been heading for Big Sky country, but what in the world would a couple of engineers do here?

We spent seven years in Napa, California. A beautiful place. We had great jobs. But in 2001 our first child was born. He definitely changed our perspective and our world. We started looking for ways to get back to Montana so we could raise Benjamin where we grew up. We wanted him to grow up with his family near, and we wanted him exposed to the values that we believe are a part of growing up in Montana: a sense of community, a good work ethic, a commitment to helping those around you when they are in need. We just didn't find those same values in any of the places we had lived. After 9/11, going home became an imperative.

Gary's family has owned a cherry orchard on Flathead Lake since 1976. His dad's failing health and untimely death in March of 2002 left his mother alone to care for 10 acres and some 350 trees. We decided that we would come home and take stewardship of the orchard, and see if we couldn't make a go of it. Gary grew up on the orchard and I spent a lot of time on my family's cattle ranch in Divide. I also had become a winemaker since moving to Napa and had been involved in growing wine grapes. We felt we definitely had the background and, more importantly, the incentive to become farmers. In November of 2002 we bought his mother's orchard. By the following summer, we were selling fresh fruit and vegetables, along with Cherry Jam, Cherry BBQ Sauce, Dried Cherries, and Apple Butter under "The Orchard at Flathead Lake" label. In July 2006, we were officially certified "Organic" by the MT Department of Agriculture. We started getting familiar with groups like AERO who support the "BUY FRESH, BUY LOCAL" campaign. We have sold fruit to U of M in Missoula... their "farm to college" program is making great strides and they are very committed to buying what they can from local producers. We have talked to many restaurateurs, bakeries, and markets who are also trying to do what they can to support local producers. Montana has such a wonderful variety of crops produced here, and such a wonderful variety of people producing those crops. Although a diverse bunch, one thread is common to us all... our desire to live and make a living in Big Sky country. And as our businesses flourish, the benefits to the local and state economies are obvious. Please support our efforts by helping state agencies support local farmers. Once local foods are available to them, these entities will see what a quality source of food their own backyard is, and wonder why they ever looked elsewhere.

Thank you for your time,

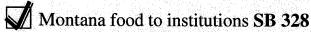
Heidi A. Johnson, Partner

The Way Fruit Was Meant To Taste!



#### **Grow Montana 2007 Legislative Priorities**

(as of 1/25/07)



Allows public institutions more flexibility to buy Montana-produced food through an optional exemption in the Montana Procurement Act.

Current law requires public institutions, such as universities and K-12 schools, to buy the cheapest food possible (in contract purchases). Though not all Montana-produced food is more expensive than national competitors, public institutions should be allowed to consider where and how the food was produced when making decisions. Grow Montana proposes an **optional** exemption from the Montana Procurement Act to allow institutions to buy Montana-grown food within specified parameters. The exemption would be used only when consistent with the agency's fiscal goals and constraints.

## Value-added food production study LC 1213

Creates an interim study committee to research and propose solutions for value-added food processing in Montana.

For Montanans to better feed ourselves, we need a significant increase in value-added food production such as meat and even vegetable processing. An interim legislative committee, along with government and private agencies who specialize in food and agriculture, should explore ways that our state can invest in value-added production as a form of **community-based economic development**, where more of the end product's value stays in Montana and profits recirculate within Montana's communities. Research should include best practices and models from other states.

Resolution to remove ban on interstate commerce of state-inspected meat HJ 17 Encourages more meat processing in Montana by removing the federal ban on interstate commerce of state-inspected meat. This state resolution urges Congress to act.

Montana has a state meat inspection program that is required by the USDA to meet or exceed all federal regulations. State-inspected meat can be sold at any retail, wholesale, or direct market in Montana. However, even though it meets or exceeds federal inspection, it cannot be sold in any other state. This **limits** the market opportunities for state-inspected meat, discouraging meat producers from adding value to their livestock and entrepreneurs from developing processing facilities in state. Since the lack of local processing is a major obstacle in Montana's food system, we must work to remove such barriers. Partnering with Montana Farmers Union, Grow Montana promotes a state resolution encouraging Congress to remove the USDA's ban on interstate commerce of state-inspected meat.

For more information about Grow Montana, visit <u>www.growmontana.ncat.org</u> or call Crissie McMullan at 406-531-5162.



What about food security? Grow Montana's priorities include increasing access to Montana grown food for low-income people, and we will support nutrition bills promoted by our allies. Otherwise, our findings have led to non-legislative approaches. For more information, please see our website.

#### Grow Montana will strongly support the following policies in 2007:

Developed and led by Montana Economic Developers Association.

- Regional rural value-added agricultural program HB 223
   Funds six Montana Agriculture Innovation Centers to provide technical assistance and capital availability to food and agriculture entrepreneurs.
- Revise economic development programs SB 42 AND HB 331

  Retains Montana's important agricultural development programs (such as Growth through Agriculture) currently scheduled to expire in 2010 by removing their "sunset clause."

#### Developed and led by Montana Dietetic Association and Montana Food Bank Network

Improving Access to Healthy School Meals LC 1183 Provides \$250,000 for small grants to school food services to purchase equipment needed to serve more nutritious food, e.g., salad bars, to implement schools' new wellness policies.

#### **About Grow Montana**

Grow Montana is a coalition of groups working to create the means for more of Montana's food and farm products to be used closer to home, to retain more of the value that's added to our agricultural products in Montana communities, and to improve all our citizens' access to healthy, nutritious food. More information is available at our website: www.growmontana.ncat.org.

#### Grow Montana's steering committee members represent:

Alternative Energy Resources Organization (AERO); Artemis Common Ground; Lake County Community Development Corporation; National Center for Appropriate Technology; Stranie Ventures, LLC; The University of Montana Environmental Studies Program, Montana Farmers Union, (eastern Montana's) Farm to Table Project, and the Food Policy Council of the Montana Food Bank Network.

# UNLOCKING THE FOOD BUYING POTENTIAL OF MONTANA'S PUBLIC INSTITUTIONS: Toward a Montana-based Food Economy

#### Executive Summary October 2006

INSTITUTIONAL MARKET.

#### Introduction

A revitalization of rural economies is underway in many states and countries led by increasing demand for locally and regionally produced food products. Farm to Cafeteria programs have played a role in this revival, assisting public institutions to purchase fresh, healthy, locally grown and processed food. A resulting multiplier effect has been felt throughout rural communities.

The Grow Montana project's objectives for the study summarized below are to fill the need in Montana for information on the quantities and types of local food purchased by public institutions and on the opportunities institutions may present as a market for food produced in Montana. In addition, the study's purpose was to assess Montana agriculture's current and potential capacity for food production, processing and distribution

needed to serve Montana's public institutional food service markets. Finally, the study report provides recommendations on the next steps that could be taken to enhance local food supply chains in Montana.

#### **Summary of Results**

### The public institutional markets

Many of the Montana's public food service managers have a genuine and growing interest in purchasing more food produced in Montana.

Public institutions are a relatively small and cost-conscious market, but are an excellent stepping stone for Montana food suppliers seeking to enter larger wholesale and retail markets.

• In general, the state's universities and colleges offer the

greatest short-term opportunities for local growers and food processors seeking to enter Montana's public institutional market. This is because they have more consumer demand for Montana-grown products, a variety of venues (such as catering and cash operations) that allow for more flexible pricing, and experience with incorporating Montana-grown food in their ordering and their menus.

- K-12 schools are the largest component of food expenditures by Montana's public institutions and represent the greatest long-term potential for growth in the use of Montana-produced food. Significant barriers would need to be overcome before the full potential of this sector can be realized.
- Montana's prisons and state-run hospitals are the most price-sensitive of all the institutions, and therefore may be a more difficult market for local producers. There are, however, successful examples of local farm-to-prison and farm-to-hospital programs in other states.

MONTANA'S UNIVERSITIES
AND COLLEGES OFFER THE
GREATEST SHORT-TERM
OPPORTUNITIES FOR LOCAL GROWERS AND FOOD
PROCESSORS SEEKING TO
ENTER MONTANA'S PUBLIC

Institutional food buyers believe that the meat, produce, dairy, and bakery categories have the greatest potential for Montana growers and processors.

- Meat: Discussions with public institutions revealed a desire to purchase more Montana-grown beef, pork and poultry products. There is a genuine desire to increase the volume and types of products they could buy, for example, beef strips for fajitas and cooked, breaded chicken and beef strips.
- Produce: Many of the state's public institutions purchase relatively significant quantities of fruit and vegetables. Almost all institutions interviewed expressed a desire to purchase more locally grown produce that has been processed into a convenient, ready-to-use form, such as cleaned and cut. Fresh

fruits and vegetables are exempt from the state procurement law's low-bid requirement, which gives institutions more purchasing flexibility.

 Bakery: Many of the bakery products offered by Montana companies are not produced from Montana flour and grains, though they potentially could be. One exception is Wheat Montana, which supplies many public institutions in the state. Bread products used by institutions include items like hamburger buns and bagels.

INSTITUTIONAL FOOD BUY-ERS BELIEVE THAT THE MEAT, PRODUCE, DAIRY, AND BAKERY CATEGORIES HAVE THE GREAT-EST POTENTIAL FOR MONTANA GROWERS AND PROCESSORS.

• Dairy: While sales of Montana-produced fluid milk are at capacity, Montana specialty cheese, yogurt, ice cream and other processed dairy products hold some promise in institutional and other wholesale and retail markets. Retail outlets at university campuses and campus catering are especially well suited to these and other types of specialty products.

Agriculture's capacity

Many Montana growers and food processors are successfully marketing to the state's public institutions. Their examples offer lessons for further developing Montana's food supply chain.

Montana's food supply chain lacks capacity. Although Montana is very good at producing raw agricultural commodities, generally these commodities are not processed to a form that is needed by institutional or other food buyers. For example, institutional buyers need products like flour, bread or other baked goods rather than wheat; and cooked, processed meat or hamburger patties rather than whole carcasses.

Infrastructure development and capacity-building are necessary to add value to Montana's raw agricultural products and provide customers with the types and volume of food products they wish to buy. The state's food processing infrastructure is considerably less developed than that in neighboring states and many of the types of food purchased by institutions is not currently grown

or processed in Montana. This severely limits the true short-term opportunity that exists in supplying most of the food requirements of public institutions.

#### Discussion

Montana's public institutions spent approximately \$33 million on food in fiscal year 2004/2005. Montana's Department of Administration, which includes the university system, state-managed prisons and public hospitals, spent approximately \$12.5 million while K-12 schools spent \$19 million on food purchases.

A 10 percent increase by value of Montana-produced food purchased by Montana's institutions would bring almost \$5 million directly into the state's economy. Other researchers estimate that multiplier effects of between 1.8 and 15 would add an additional \$9 million to \$75 million to our local communities. These opportunities are particularly significant for rural areas in Montana which face severe economic development needs.

Institutional food procurement varies significantly from institution to institution (for example K-12 schools versus prisons) as well as within individual institutional sectors (for example, Billings School District contracts with Sodexho, a food service management company, while Bozeman School District contracts with Food Services of America, a prime vendor/distributor, and operates a commercial kitchen that supplies other institutions. The commitment that individual purchasing managers, students/residents, suppliers and others have to Montana-produced food varies. However, most food purchasing managers realize that fresher, better tasting, environmentally friendly, Montana-produced food can improve nutrition and strengthen the region's economy by keeping dollars circulating in the local community.

Both the University of Montana (UM) and Montana State University (MSU) have established programs aimed at sourcing food produced in the state and the region. In 2005, UM-Missoula purchased approximately 13% of its food from regional sources. MSU-Bozeman's more informal local supply initiative purchased approximately 10% of its food from Montana producers.

Most K-12 schools receive their food supplies from a number of sources and programs. The complexity of the K-12 food purchasing structure means that selling food to schools is often confusing for local producers. Programs like the USDA's Food Distribution Commodity program provide schools with access to low-priced food, but at the same time they compete directly with Montana producers that are potentially seeking to market similar products to these institutions. The Montana Office of Public Instruction has an interest in supporting Montana-based food

initiatives and supports recent amendments to the National School Lunch Program that encourage the purchase of locally produced foods.

Montana's prisons and state-run hospitals are the most price-sensitive of all of the institutions, and therefore may represent the most difficult market for local producers. However, if Montana-produced food can be competitively priced there is no reason why it cannot be sold to public prisons, especially Montana State Prison.

SELLING TO PUBLIC INSTITUTIONS PROVIDES AN EXTREMELY USEFUL STEPPING STONE FOR FOOD PRODUCERS SEEKING TO ENTER THE MUCH LARGER FOOD SERVICE AND RETAIL SECTORS.

The potential for increasing the diversity, volume and value of Montana-produced food products sold to public institutions would be enhanced by changes on both the public institution and supplier sides. Many farmers may lack resources to invest in value-added enterprises and are not risk-takers or entrepreneurs. Many public institutions are constrained by cost, infrastructure, time and resource limitations. Food procurement managers were generally unaware of local farmers, growers, or processors that can deliver the high volume of quality products in the form they require, in a timely manner, at a competitive price. Existing relationships need to be built upon, and the buyin of all the key players in the movement of food from the farm to the fork is essential.

#### Conclusions and Recommendations

Although public institutions purchase a very small percentage (less than 2%) of the food consumed in Montana, successful programs at the University of Montana and Montana State University illustrate that local suppliers can provide food to public institutions. The local and regional impact of producing food (rather than, or in addition to, raw commodities) cannot be underestimated. It is important that new efforts are made to further develop Montana-based food supply chains by implementing Farm to Cafeteria programs and further developing relationships between public institutions and Montana's

suppliers. To help facilitate the process, the following activities are recommended:

- Target institutions that are genuinely interested.
- Target product sectors that offer the most potential.
- Target producers/processors that have a genuine capacity to supply high quality food at competitive rates and deliver a high level of service.
- Initiate efforts to build Montana's food processing infrastructure and value adding activities.
- Encourage producers to group together to market/distribute.
- Engage all supply chain participants, from farmers to distributors to buyers.
- Learn from other examples of best practice, but recognize the Montana differences.
- Develop new "test programs" and show they work.
- Develop outreach & education programs.

In summary, selling to public institutions provides an extremely useful stepping stone for food producers seeking to enter the much larger food service and retail sectors; however it is not a viable option for every Montana food producer. Producers of niche value-added food products may find more opportunities in other less price-conscious markets where they may be able command a premium price. Others may be able to utilize institutional markets to help drive volumes to levels where economies of scale can be achieved to allow access to additional wholesale or retail markets. They may also be able to use institutional markets as a secondary market for hard-to-market products like low-value beef cuts, which can be turned into hamburger. Supplier and institutional buyer commitment as well as a marketing approach with a focus on institutional buyers' needs will be necessary to continue to enhance public institutions' purchases of food grown or processed in Montana.

The institutional food service market study summarized above was completed by doctors Fraser McLeay and Nicola Barron of KiwiTrade and Business, Inc. on behalf of the National Center for Appropriate Technology's "Grow Montana" project. Funding was provided by the Growth through Agriculture program of the Montana Department of Agriculture.

Grow Montana is a coalition working to create the means for more of Montana's food and farm products to be used closer to home, to retain more of the value that's added to our agricultural products in Montana communities, and to improve all our citizens' access to healthy, nutritious food. It is in this spirit that we offer this report to the citizens and leaders of Montana.



Strengthening Our Food and Agricultural Economy



For more information on work connecting Montana's food producers with institutions, visit www.growmontana.ncat.org, or contact Crissie McMullan at (406) 531-5162. The full report—in print or on CD—can be ordered or downloaded directly from www.growmontana.ncat.org, or by calling Debbie Rask at NCAT (406) 494-4572.

#### TRACING THE CHAIN:

# AN IN-DEPTH LOOK AT THE UNIVERSITY OF MONTANA'S FARM TO COLLEGE PROGRAM

SUMMARY
OCTOBER 2006

#### Introduction

On a crisp, clear afternoon in March, a group of researchers from the University of Montana pulled our van into the lot of Montola's oilseed crushing plant in tiny Culbertson, some 650 miles away from Missoula. We had crossed the state to learn about Montola, which produces all the cooking and salad dressing oils used in our university's dining halls. Despite the physical distance between Missoula and Culbertson, we were there to learn about the social and economic connection between the two places, a bond forged by the University of Montana's Farm to College Program. And learn we did. Our trip was part of a larger study we conducted to find out about the impact of this innovative program on the state and how to strengthen it.

With the help of four graduate students, the University Dining Services initiated Farm to College in the spring of 2003. Although the idea was new to Montana at the time, similar initiatives have been underway in a variety of places across the country. Over the last decade, many "farm to cafeteria" programs have surfaced nationwide, with some 200 colleges and 400 school districts now serving meals that include local and/or regional foods and educating students about food and farming.

At the UM, Dining Services' mission for the program is to "support agricultural economic development through the purchase of local and regional food." Dining Services defines "local" as foods grown or produced within the state of Montana; "regional" is defined as foods grown or produced in Idaho, Washington, Oregon, Wyoming, North Dakota, and South Dakota. In fiscal year 2005, UDS purchased \$404,000 through Farm to College, approximately 13% of its \$3.1 million food budget. Eighty-two percent of the FTC purchases were from Montana.<sup>2</sup>

Since its inception, the University has gotten a lot of positive publicity because of Farm to College, but the research team wanted to dig a little deeper and learn more about what's really involved. We wanted to trace the food supply chain associated with the program, and identify some of its social, economic, and transportation-related benefits and challenges. In other words, we were interested in what the program means to vendors who sell into it, to the staff who run the Dining Services, and to the consumers who get a taste of Montana. We also looked at the transportation-related impacts of the program, and how local and regional foods might reduce our fuel use and pollution. The final goal of our research was to make recommendations for improving Farm to College and for broader policy change here in Montana as well.

The full report will be released in the fall of 2006. What follows is a summary of the major findings and recommendations emerging from the study.

#### **Findings**

#### Serving it up at the University Dining Services:

- That Farm to College creates valuable links with rural Montana is a primary reason Dining Services staff members like working on the program. They also appreciate that it provides high quality, nutritious food to students. The commitment of Dining Services is a key to the program's accomplishments and its future growth. As one staff person put it: "We went into this going, 'we're going to do this and make sure it's successful and works'."
- The main challenges that Dining Services faces in carrying out the program include the following: (a) many local vendors cannot deliver as frequently as the institution needs; (b) the large quantity of products necessary is not always available; and (c) institutional food services have grown accustomed to using foods that are prepared (e.g., washed, chopped lettuce, not heads of lettuce), and those value-added products are often not available from local sources.
- In an attempt to overcome the challenges, Dining Services is working to expand Farm to College by planning menus around local food availability and by doing some processing in-house. They have also partnered with several vendors such as the Western Montana Growers Cooperative to develop the capacity to add value to raw products. A major finding of this study is that more value-added processing in Montana could greatly expand the ability of our farmers and ranchers to serve the needs of institutions, and extend the availability of local products throughout the year.

#### Eating and learning among student consumers:

- Eighty-four percent of the 380 students surveyed report that Farm to College is very or somewhat important to them as consumers in the dining halls. The most frequently mentioned reasons are that they like supporting Montana's farmers and ranchers (42%) and keeping more money in Montana's communities (21%).
- These student consumers often feel, however, that they do not have enough information available about the program.

#### Hearing from the vendors:

- Based on Dining Services' data, there were 45 vendors who sold products through Farm to College in FY 2005 (several sell through a distributor<sup>3</sup> rather than directly).
- Nine vendors accounted for over 90% of the Farm to College purchases. Of the 45, the dollar amounts of sales ranged from \$24 to over \$148,000 per vendor annually.
- Thirty-five of the vendors who sold goods to the UM in 2005 participated in a survey or interview. For those surveyed by phone, Farm to College is "very important" (61%) or "somewhat important" (17%) to their business. The primary benefits of selling to the UM are: (a) the positive image for the company; (b) increased sales; and (c) personal benefits, such as pride in selling to the UM.

- Despite the successes, vendors identified a number of challenges (which were similar to those expressed by Dining Services staff). The most common were: (a) communicating effectively with UDS; (b) understanding the institution's purchasing system; (c) transporting and delivering goods efficiently; and (d) meeting the needs of an institutional market (e.g., large enough volumes, adding value to raw products).
- Vendors offered their perspectives on a number of policy and project ideas.
   According to our phone survey with vendors, 65% think that an electronic database that links Montana's food and agricultural businesses with buyers at public institutions would be a useful tool for their business. Over 70% of the vendors surveyed support the idea of public institutions giving a preference to Montana businesses as a matter of public policy.

#### (Not) Going the distance:

- We calculated the miles that a year's worth of the ingredients in a hamburger and French fries meal (buns, patties, fries, and cooking oil) produced and processed in Montana travel, and estimated the miles it would have traveled had it been sourced through conventional means (SYSCO).
- The conventionally-sourced products would have traveled an estimated 2.8 times further than they did when purchased through the FTC (393,930 vs. 141,252 miles). The conventionally-sourced ingredients would have used 43,000 gallons more fuel and emitted 2.9 times the amount of CO<sub>2</sub> in a year. As one rancher stated clearly: "Why put all that fuel into something that's grown right here?"

#### **Recommendations for Change**

- Develop the Farm to College program and ensure adequate communication between participants Dining Services, vendors, distributors, and students.
- Increase education about Farm to College on campus.
- Focus the Farm to College program on Montana only.
- Further reduce the transportation-related impacts of all food purchases.
- Create a values-based pledge of understanding between the Dining Services and the vendors to promote transparency, trust, and communication among the partners.
- Develop new markets and similar programs at other public institutions.
- Expand the capacity of Montana's food production and processing sectors to effectively meet the needs of institutional markets.
- Amend Montana's procurement law to allow flexibility for public institutions to purchase Montana-produced food, which currently must meet the lowest-bid requirement.
- Create an electronic database to help connect Montana's food and agricultural businesses with buyers at public institutions.
- Conduct additional research on the role of distributors in local food supply chains.

#### **Learning More**

To learn how you might become a Farm to College vendor, start by going to the University Dining Services website: www.umt.edu/uds.

To get more information about the study, contact Neva Hassanein, Associate Professor, UM Environmental Studies, 406-243-6271 or email neva.hassanein@umontana.edu.

The full report of the research and recommendations will be available late fall 2006. To order or download a copy of the final report, contact Crissie McMullan 406-531-5162 or email <a href="mailto:crissiemc@yahoo.com">crissiemc@yahoo.com</a> or visit <a href="mailto:www.growmontana.ncat.org/">www.growmontana.ncat.org/</a>.



The University of Montana's Environmental Studies Program partnered with Grow Montana in this research endeavor. A coalition of groups dedicated to helping Montana producers meet more of our state's food needs, Grow Montana identified the research questions focused on here and will use the results to promote community-based agricultural economic development. Grow Montana is a project of the Butte-based National Center for Appropriate Technology.

<sup>&</sup>lt;sup>1</sup> Graduate student researchers: Ariel Bleth, Jacob Cowgill, Katherine Dayton, Paul Hubbard, Scott Kennedy, Jason Mandala, Beth Neely, Hillary Schwei, Kimberly Spielman, and Sarah Stokes. Neva Hassanein, Associate Professor, Environmental Studies Program, guided the research which was conducted during spring 2006.

<sup>&</sup>lt;sup>2</sup> The dollar amounts are all based on data provided by UDS in Jan. 2006. During the course of this research several errors were found in the figures, principally with respect to the regionally-sourced products (i.e., distributors no longer sourced them in the defined region). UDS does all its own tracking of these items, and the research team has pointed out the errors to UDS.

<sup>&</sup>lt;sup>3</sup> One of the distributors is a "prime vendor," which means they provide 85-90% of Dining Services' needs (both conventional and some Farm to College). The prime vendor contract is awarded through a bidding process governed by state law.

<sup>&</sup>lt;sup>4</sup> There were 27 interviews with vendors conducted by phone. Eight interviews were conducted in-depth and done face-to-face; the final report provides rich detail on their perspectives of the benefits, challenges, and opportunities associated with Farm to College. Overall, 89% of those we asked to participate did so (i.e., the response rate). Vendors who sold less than \$250 to the UM in FY 2005 were not included in the study.

# University of Montana-Missoula University Dining Services Annual Farm To College (FTC) Purchases

					(7/1-12/31)	FTC Purchases
	FY 03	FY 04	FY 05	FY 06	FY07	to Date
Gross Revenue	8,193,211	8,537,426	8,873,461	9,240,899	5,342,718	
Total Food Purchases	2,905,642	2,972,659	3,115,280	3,131,185	1,738,449	
FTC Purchases	230,169	230,169 260,872 403,850 474,552 273,668	403,850	474,552	273,668	1,643,111
Food Cost as a % of Gross Revenue	35.5%	34.8%	35.1%	33.9%	32.5%	

Food Cost as a % of Gross Revenue	35.5%	34.8%	35.1%	33.9%	32.5%
FTC Purchases as a % of Total Purchases	7.9%	8.8%	13.0%	15.2%	15.7%
% Local	65.0%	%0.69	80.0%	86.4%	89.0%
% Regional	35.0%	31.0%	%0 00	13.5%	11 0%

14 41 46	sysco distribution by some FTC vendors
# of FIC vendors	*Reflects seasonality and migration to Sysco